



Construction Policy Bulletin

CPB 08-6 Force Account Markups

References: *Standard Specifications*

Section 9-1.03A, "Work Performed by Contractor"
Section 9-1.03B, "Work Performed by Special Forces
or Other Special Services"

Effective Date: October 14, 2008

Approved:

A handwritten signature in black ink, appearing to read 'Mark Leja', written over a horizontal line.

MARK LEJA

Chief

Division of Construction

Approval Date: October 10, 2008

Background

When a contractor performs extra work to be paid for on a force account basis, force account markups are applied to the itemized costs of the work and compensate the contractor for overhead, liability insurance, bond, and profit. To compensate for inflationary increases in the contractor's labor and administrative costs, the force account markups in the contract specifications are amended to increase the markup percentages both with and without the time-related overhead bid item.

The definition of a "specialist" in Section 9-1.03B, "Work Performed by Special Forces or Other Special Services," of the *Standard Specifications* has frequently been questioned. Resident engineers' approval of specialists is often granted during or after the specialist's work. This specification has been amended to improve the definition of "specialist," to require approval of the specialist before the specialist begins work and to decrease the markup percentage applicable to work performed by a specialist because of the markup percentages built into specialist invoice prices.

Existing Procedure

Section 9-1.03A, "Work Performed by Contractor," of the *Standard Specifications* provides payment on a force account basis for work performed by the contractor. Labor, equipment, and materials are compensated with markup percentages of 33, 15, and 15, respectively. When extra work to be paid on a force account basis is performed by an approved subcontractor, an additional markup of 5 percent is added to the total cost of that extra work including all markups specified in Section 9-1.03A. When a contract includes a time-related overhead bid item, the standard special provisions provide reduced force account markup percentages for labor, equipment, and materials of 28, 10, and 10, respectively.

Section 9-1.03B, "Work Performed by Special Forces or Other Special Services," of the *Standard Specifications* provides payment for specialty work that cannot be performed by the contractor or its subcontractors. Invoices for the service or item of extra work on the basis of the current market price may be accepted without itemization of labor, equipment, and material costs when it is impracticable

and not in accordance with the established practice of the special service industry to provide itemization. Specialists may be approved by the resident engineer at any time during or after the specialty work. A markup of 15 percent is added to the specialist invoice price in lieu of the percentages provided in Section 9-1.03A, "Work Performed by Contractor," of the *Standard Specifications*.

New Procedure

Section 9-1.03A, "Work Performed by Contractor," has been amended to increase the force account markup percentages applicable to labor and additional administrative costs. Section 9-1.03B, "Work Performed by Special Forces or Other Special Services," of the *Standard Specifications* is amended to decrease the markup for specialist invoice prices, clarify the definition of a specialist, and to require the resident engineer's approval of a specialist before the specialist work begins.

On contracts without the time-related overhead item, the force account markup for labor increases from 33 percent to 35 percent. On contracts with the time-related overhead item, the force account markup for labor increases from 28 percent to 30 percent. On contracts with or without the time-related overhead item, the force account markup for additional administrative costs of subcontracted work increases from 5 percent to 10 percent. Force account markup percentages for materials and equipment remain the same.

The markup percentage for invoice prices accepted without itemization of labor, equipment, and materials for work performed by a specialist has decreased from 15 percent to 10 percent. This markup compensates the contractor for additional costs related to using a specialist. Specialists must be approved by the resident engineer before the start of the specialist's work. If specialists are not pre-approved or are approved by the resident engineer after the specialist's work begins, the specialist must itemize labor, equipment, and materials and be paid in accordance with Section 9-1.03A, "Work Performed by Contractor."

If you have questions please contact Perry Mayer, Division of Construction, at (916) 653-2032.